



CHDO 101

What is a CHDO & Why Should I
Become One

Why These Sessions Are Important

Starting with 2017 funding rounds, IHCDA will amend its policies in a way that will give a significant advantage to IHCDA-certified CHDOs.



What is a CHDO

- Community Housing Development Organization – also known as CHDO
- It is a special kind of non-profit organization that meets certain organizational requirements
- CHDOs are certified by IHCD
- Special streams of funding are made available to IHCD-certified CHDOs

Why Are CHDOs Important

- IHCDCA must reserve not less than 15% of its HOME allocation each year for investment in housing to be developed, sponsored or owned by CHDOs

CHDO Certification

Subpart A, Section 92.2

- ✓ Governing board of not less than 1/3 low-income persons & not more than 1/3 public officials
- ✓ 501c3 or c4 ruling from IRS
- ✓ Demonstrated capacity for carrying out activities assisted with HOME funds
- ✓ History of serving the community in which the HOME assisted housing is located for a minimum of one year
- ✓ Among its purposes the provision of decent housing that is affordable to low and moderate income persons (charter, articles of incorporation, resolutions, or by-laws)

HOME CHDO Policies

Funding Type	Description
CHDO Set-Aside 92.300(a)	15% of PJ's annual allocation must be reserved for CHDO projects (tracked on a cumulative basis)
2015 HOME Allocation:	2015 Minimum CHDO Set-Aside: \$ 1,405,362
2016HOME Allocation:	2016 Minimum CHDO Set-Aside: \$ Estimated to be same as 2015
Predevelopment Loans 92.300(c), 92.301	\$250,000
CHDO Proceeds 92.300 (a)(2), CPD Notice 97-09	CHDO may retain proceeds from project. Reuse of proceeds must be for L/M housing or HOME activities

CHDO Regulatory Requirements

- Differ from subrecipients
- Audit requirements may be different
- Conflict of interest provisions (92.356) do not apply to them, except 92.356(f)
- Must act as an Owner, Sponsor or Developer of HOME-assisted housing

Differ from Subrecipients

- A subrecipient is a public agency or nonprofit organization that is selected to administer all or a portion of IHCD's HOME program activities.
- A CHDO is a special nonprofit that meets certain qualifying criteria

Conflict of Interest

- Prohibits any officer, employee, agent or consultant of the owner, developer or sponsor, whether private, for profit or nonprofit, from occupying a HOME-assisted affordable housing unit in a project

Conflict of Interest

- Does not apply to an individual who receives HOME funds to acquire or rehab his/her principal residence or to employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker



CHDO Roles

Owner, Sponsor or Developer

Homebuyer – CHDO Developed

- Involves development of new or rehabbed housing that will be sold by the CHDO to low-income buyers
- CHDO must solely own the property in fee simple during the development period
- CHDO must be in control of the development project, including at a minimum
 - Arranging financing for the project; AND
 - Being in sole charge of construction

Rental – CHDO Owned

- Involves a HOME-assisted rental project
- CHDO must solely own the property in fee simple
- CHDO will solely own the property for the required affordability period

Rental – CHDO Owned (cont'd)

- CHDO will EITHER
 - Acquire standard housing to be rented to income eligible tenants; OR
 - Hire a developer/project manager to oversee development of new or rehabbed housing
- PM will, at a minimum:
 - Obtain zoning & other local approvals;
 - Secure non-HOME financing;
 - Manage the selection of a GC/builder;
 - Oversee work progress including cost reasonableness

Rental – CHDO Developed

- Involves development of new or rehabbed rental housing that will be leased to income eligible tenants
- CHDO must solely own the property in fee simple during development period; and
- Will solely own property for required POA

Rental – CHDO Developed (cont'd)

- CHDO must be in sole charge of development process, including
 - Obtaining zoning & other approvals
 - Obtaining other non-HOME financing needed for the project
 - Selecting architects, engineers, GCs, & other members of the development team; and
 - Overseeing progress of work & determining cost reasonableness

Rental – CHDO Sponsored / Affiliate Developed

- Project involves development of new or rehabbed rental housing to be leased to income eligible tenants
- Eligible types of CHDO affiliates include:
 - CHDO's wholly owned subsidiary
 - CHDO/wholly owned subsidiary will be sole general partner of limited partnership
 - CHDO/wholly owned subsidiary will be sole managing partner of limited liability company

Rental – CHDO Sponsored / Affiliate Developed (cont'd)

- Affiliate must solely own the property in fee simple during development period
- Affiliate must solely own the property for the required POA
- Affiliate must be in sole charge of the development process
 - Obtaining zoning & other approvals
 - Obtaining non-HOME financing needed for the project
 - Selecting architects, engineers, GCs & other members of the development team
 - Overseeing progress of work & determining cost reasonableness

Rental – CHDO Sponsored / Affiliate Owned

- Project involves a HOME-assisted rental project
- Eligible CHDO affiliate owns the project
 - CHDO's wholly owned subsidiary
 - CHDO/wholly owned subsidiary will be sole general partner of limited partnership
 - CHDO/wholly owned subsidiary will be sole managing member of limited liability company

Rental – CHDO Sponsored / Affiliate Owned (cont'd)

- Affiliate must solely own the property in fee simple
- Affiliate must solely own the property for the required POA

Rental – CHDO Sponsored / Affiliate Owned (cont'd)

- CHDO will EITHER
 - Acquire standard housing (must meet property standards) that will be rented to income eligible tenants; OR
 - Hire a PM/developer to oversee development of new/rehabbed housing, who will
 - Obtain zoning & other local approvals
 - Secure non-HOME financing
 - Manage the selection of a GC/builder
 - Oversee work progress including cost reasonableness

Rental – CHDO Sponsored/Turnkey

- Project involves development of new or rehabbed rental housing that will be transferred by the CHDO to another nonprofit upon completion & leased to income eligible tenants
- Nonprofit receiving property upon completion must be
 - Identified prior to CHDO commitment
 - Not be created by a governmental entity; and
 - Assume ownership & all HOME obligations, including loan repayment requirements, at a specified time following completion of the development

Rental – CHDO Sponsored / Turnkey (cont'd)

- CHDO must own property in fee simple
- CHDO must be in sole charge of the development process, including
 - Obtaining zoning & other approvals
 - Obtaining other non-HOME financing needed for the project
 - Selecting architects, engineers, GCs & other members of the development team; and
 - Overseeing progress of work & determining cost reasonableness

Rental – CHDO Sponsored / Turnkey (cont'd)

- If identified does not assume ownership as planned, CHDO must maintain ownership for the affordability period

Eligible Project Expenses & Fees

- Pre-Development
- Acquisition & Rehab / New Construction
- Developer Fees
- Project Delivery Costs



CHDO Funding

A Breakdown of Pools of Money
Available to CHDOs

Uses of Funds

- 15% Set Aside
- Predevelopment Loans – TA & Seed Money
- Operating Supplement
- Pass-Through Funds
- CHDO Proceeds

15% Set-Aside

- IHCDCA must invest **at least** 15% of its HOME allocation in housing owned, developed or sponsored by CHDOs
- Non-profits who are not CHDOs can receive HOME monies, but they are not eligible for funds set aside for CHDOs
- IHCDCA must commit each year's CHDO set aside within 24 months or they will be recaptured by HUD

Predevelopment & Seed Money Loans

- IHCDCA sets aside approximately \$250,000 per year for CHDOs to use for special project-specific expense via loans of up to \$30,000
- Assure CHDOs have access to HOME funds upfront for project pre-development expenditures not otherwise available to other developers
- All loans may not exceed customary & reasonable project preparation costs & must be repaid from construction loan proceeds or other project income

Project Specific Loans = Forgivable

- All or part of the loan may be waived by IHCDCA if there were impediments to project development that IHCDCA determines are reasonably beyond the CHDO's control
- HUD will not require IHCDCA to repay these funds in this case

Types of Project Specific Loans

- Predevelopment Technical Assistance Loans
- Seed Money Loans
- Both are used to determine the feasibility of eligible projects by CHDOs in the early stages of site development
- Neither require environmental clearance prior to funding being committed to them.

Technical Assistance Loans

- Consulting, legal, engineering and/or architectural fees
- Preliminary financial applications
- Initial feasibility studies
- Engaging a development team
- Site control & title clearance for the project
- Option to purchase

Seed Money Loans

- Firm construction loan commitments
- Architectural plans and specifications
- Zoning approvals
- Engineering studies & legal fees for the project

Operating Supplement

- IHCDCA may use up to 5% of its annual HOME allocation for payment of operating expenses for CHDOs
- These funds do not require HOME match
- Must be reasonable and necessary costs for operation of the CHDO
- IHCDCA requires these funds be requested in conjunction with a HOME project

Eligible Operating Supplement

- Salaries, wages & other employee compensation & benefits
- Employee education, training & travel
- Rent
- Utilities
- Communication costs
- Taxes
- Insurance & equipment
- Materials & supplies

Operating Expenses

- For any fiscal year, a CHDO may not receive more than \$50,000

CHDO Proceeds

- IHCD A allows CHDOs through the terms of the written agreement to retain any proceeds resulting from the investment of its CHDO set-aside funds for use in additional HOME-eligible project or one that benefits low-income families
- This means CHDOs may have an equity stake in its projects

What Are CHDO Proceeds?

- Permanent financing of a CHDO project which is used to pay off a CHDO financed construction loan
- Sale of CHDO sponsored rental housing to 2nd non-profit
- Sale of CHDO developed homeownership housing
- P&I payments from a loan to a buyer of CHDO developed homeownership housing
- Rental income generated by a CHDO-owned project is NOT CHDO proceeds

Final Note on IHCD CHDO Proceeds

- If at any time during the POA the CHDO becomes decertified or no longer has a mission of providing affordable housing, then all CHDO proceeds must immediately be remitted to IHCD

Coming Changes / CHDO Emphasis

- In anticipation of this IHCDCA has launched a CHDO Technical Assistance & Capacity Building Program that provides the full spectrum of special assistance as one package in order to identify CHDOs that are capable, or can reasonably be expected to become capable, of carrying out CHDO set-aside activities.
- This program will be open to existing (certified) CHDOs, as well as those nonprofits seeking to become CHDOs.

Other CHDO Sessions Offered

- CHDO 101 – What is a CHDO & Why Become One?
- CHDO 201 – How to Become Certified as a CHDO
- CHDO Direct TA – CHDO Certification Application TA (by request)
- CHDO Direct TA – CHDO Project Application TA (by request)
- CHDO 301 – IHCDA's New CHDO Program
- CHDO 401 – Pre-Development – Assembling a Good Project
- CHDO 501 – Pre-Development – Strategic Planning, Team Building, Board Capacity Building

CHDO 101:

What's a CHDO & Why Become One?

- Want to have an edge on the competition for IHCD's HOME funds? This module focuses on a special designation Indiana affordable housing non-profits can attain in order to give them that edge. It's called a community housing development organization (CHDO) and the various development tools HUD makes available to CHDOs demonstrate its importance and favor in the HOME program. From forgivable predevelopment loans to a pool of funding set-aside just for these entities, the CHDO is the VIP of the HOME Program. Participants will learn about the various funding streams available to CHDOs as well as some basic information about what it takes to get this esteemed designation from IHCD.

CHDO 201:

How to Become Certified as a CHDO

- Many non-profits who participate in CHDO 101 will decide they want to engage in the special relationship it is invited to have with IHCD, called a certified community housing development organization (CHDO). This module will provide **detailed information about what steps and documentation is needed in order to become an Indiana-certified CHDO.**

CHDO 301:

IHCDA's New CHDO Program

- For those non-profits seriously considering applying for CHDO certification, this module is designed to provide a **comprehensive look at all of the tools available to IHCDA-certified CHDOs**, including project Predevelopment loans, seed money loans, operating assistance and much more.

CHDO 401: Predevelopment Tools for Putting Together a Fundable Project

- The Predevelopment phase includes all the steps that need to be completed before construction of the affordable housing can begin. It is this stage that the developer must decide if it is feasible to develop a particular property into affordable housing for the population to be served, both in terms of construction financing and long-term operating expenses. This module will equip CHDOs to understand not only the **perks and pitfalls of affordable housing development**, but more importantly, the **financial tools offered exclusively to CHDOs** to help to demystify and uncover future problems before they occur.

CHDO 501: Predevelopment

Preparing Your CHDO for Success

- A CHDO needs to assemble and work with a team of experienced professionals who can assist it with carrying out needed studies and negotiating agreements. The CHDO may employ one or more of these professionals on its own staff. Additionally, the CHDO's board members must be knowledgeable about what is expected of CHDOs and need to be especially engaged in CHDO projects. This module is designed to **enhance and build internal capacity of CHDOs** to successfully undertake complex community development projects.

2016 Course Delivery Schedule

COURSE	DATES OFFERED
CHDO 101 (virtual)	2/9
CHDO 201 (virtual)	2/23
CHDO 301 (virtual)	3/17
HOME 202 (virtual)	Customized & By Request
CHDO 401 (virtual)	6/8
CHDO 501 (virtual)	7/12

Next Session

- How to Become Certified as a CHDO

Tools & Resources

- HUD Webpage for CHDOs:
<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/topical/chdo.cfm>
- **Sign up now!** [Strategic Management for CHDO Executives](#)